

Cross Timbers Business Report

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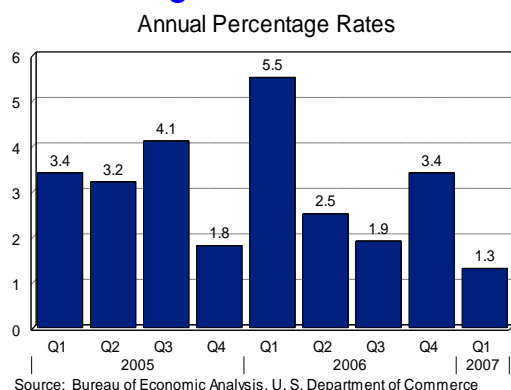
Spring 2007

Growth Rate Plummet

By Cody Kellner

The first quarter of 2007 posted a significant decline in the expansion of real gross domestic product (GDP), the nation's official measure of economic growth. Last period's 1.3 percent growth rate marks a sharp decline from the 2.4 percent rate witnessed during the last quarter of 2006 and measures less than a fourth of the 5.5 percent growth rate recorded during the first quarter of 2006. Last quarter's figure marks the lowest GDP growth since the 1.2 percent expansion that occurred in the first quarter of 2003.

Changes in Real GDP



Consumption, gross private domestic investing, government spending, and net exports are the four components of the GDP. Real GDP estimates the inflation-adjusted dollar value of all goods and services produced within the U.S. economy.

Consumer spending rose 3.8 percent in the first quarter of this year. This figure falls below the 4.2 percent figure noted in the last quarter of the 2006. Durable goods production increased 7.3 percent, while nondurable goods advanced 2.9 percent, and services expenditures increased 3.7 percent.

Real nonresidential fixed investment spending increased 2.0 percent while investment in structures fell 17 percent. Inventory growth declined once again with stockpiles of goods increasing \$14.8 billion after going up \$22.4 billion in the last quarter of 2006. This decline reduced the GDP of 0.30 percentage points.

Federal government spending declined 3.0 percent during the first quarter following a 4.6 percent increase during the final quarter of 2006. State and local government outlays increased 3.3 percent during the first quarter following the 2.7 percent growth of the fourth quarter of 2006.

Real exports fell 1.2 percent during the first quarter while imports increased 2.3 percent. By contrast, during the fourth quarter of 2006, exports rose 10.6 percent while imports declined 2.6 percent.

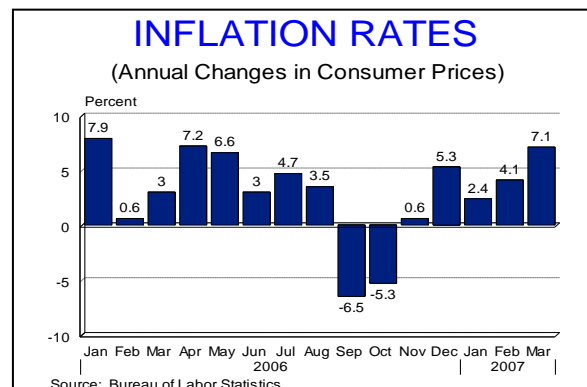
GDP data is collected and reported by the U.S. Department of Commerce. Two revisions will be made before a final estimate is posted.

Cody Kellner is pursuing a Master of Business Administration degree at Tarleton State University

Consumer Prices Accelerate in First Quarter

By Andrew Fimbel

The Consumer Price Index increased at an annual rate of 7.1 percent in March, accounting for the greatest monthly increase in the past 11 months. The U.S. Bureau of Labor Statistics blames energy commodities for most of the rise. The energy index increased at a 22.9 percent seasonally adjusted annual rate for the first quarter of 2007, which is responsible for almost half of that period's increase. Gasoline prices surged at a 33 percent rate, and natural gas and electricity prices increased at a 13 percent pace.



Apparel prices plunged by 1 percent in March, which is the largest drop since September 1998. However, the transportation index moved 2.8 percent higher in March due to increases in new vehicle prices and airline fares. The food index increased at a 3.6 percent pace in March following advances of 8.4 percent and 9.6 percent in January and February.

The first quarter of 2007 experienced an average inflation rate of 4.5 percent. This figure is much higher

than the 0.2 percent average inflation rate for the previous quarter, but is lower than the 5.6 percent second quarter average inflation rate in 2006.

Published monthly by the Bureau of Labor Statistics, the Consumer Price Index is the nation's most commonly cited inflation measure.

Andrew Fimbel is a senior majoring in management at Tarleton State University

Labor Markets Remain Strong

By Blake Williams

The first quarter of 2007 showed marginally decreasing unemployment rates for both the U.S. and Texas. For the U.S., the average jobless rate through March 2007 was 4.5 percent, while the average rate through March 2006 was 4.7 percent.

The average unemployment rate for Texas improved more than that of the U.S. The state's average jobless rate through March 2007 was 4.4 percent, and the mean rate through March 2006 was 5.7 percent.

In the Cross Timbers region, almost every county experienced a first-quarter decrease in unemployment when compared to year-ago levels.

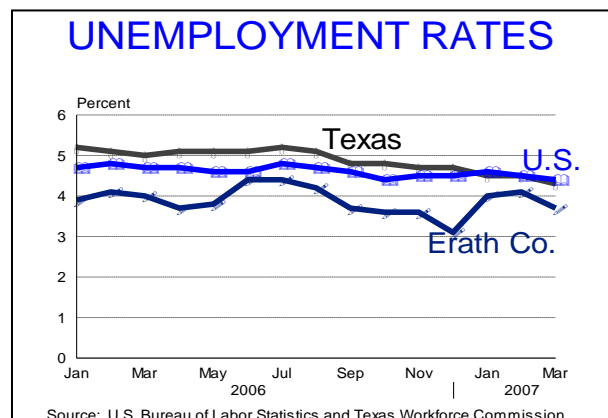
Bosque was the only county that ran counter to this trend. Its jobless rate averaged 4.8 percent for both periods. During the first quarter of 2007, the county's unemployment rate decreased from 5.0 percent in January and February to 4.4 percent in March, which represented the largest percentage drop for any county in the Cross Timbers region.

Comanche County's unemployment rate decreased during the first quarter as well. This area's jobless rate moved from 4.4 percent in January and February of 2007 to 4.1 percent in March. The average of these figures falls significantly below the 4.8 percent mean rate calculated for the first quarter last year.

The College of Business Administration at Tarleton State University presents the Cross Timbers Business Report

(<http://www.tarleton.edu/~econ/ctbr.htm>) as a service to local residents. It is written by the members of Delta Mu Delta, a business honor society. This report is distributed without charge to any interested person or organization. To subscribe to this publication or make suggestions regarding its content, write William L. Beaty, Editor, P.O. Box T-920, Tarleton Station, TX 76402, phone 254-968-9622, or E-mail beaty@tarleton.edu.

Eastland County also experienced a decrease in its unemployment rate for the first quarter of 2007 when compared to the same period in 2006. From January to March, the county's unemployment rate fell from 4.6 percent to 4.2 percent. The 4.5 percent average value calculated from these values compares favorably to the 4.9 percent figure posted during the same quarter last year.



Erath and Hamilton Counties showed the lowest unemployment rates in the Cross-Timbers region during the first quarter of 2007.

Erath County's jobless rate increased from 4.0 percent in January to 4.1 percent in February then dropped to 3.7 percent in March. Its 3.9 percent mean value for the first quarter of this year lies slightly below the 4.0 percent average rate posted during the same period in 2006.

Hamilton's jobless rate also crept up, from 4.1 percent in January to 4.2 percent in February, then declined to 3.7 percent in March. The average of these values falls significantly below the 4.7 percent rate calculated for the same three months of last year.

Blake Williams is working toward a master of business administration degree at Tarleton State University

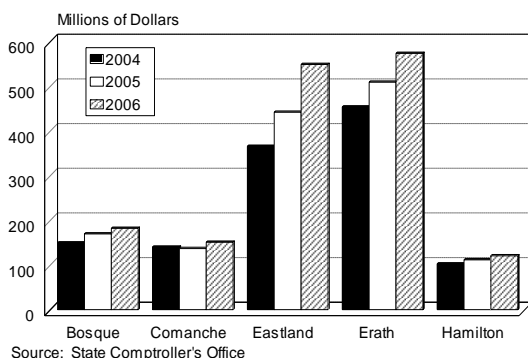
Local Counties Enjoy Solid Growth in Third Quarter Sales

By Jennifer Williams

Gross sales, defined as the total volume of all sales, leases and rentals of tangible personal property and all labor and service charges made during the reporting period, rose in the Cross-Timbers area during the first three quarters of 2006. All five area counties, Bosque, Comanche, Eastland, Erath, and Hamilton, experienced solid growth in gross sales compared to the same period in 2005.

GROSS SALES

Area Counties, January-September



Eastland County posted the largest sales increases, up 24.2 percent, and 50.1 percent over the first nine months of 2005 and 2004. Total revenues for Eastland County through the third quarter of 2006 were reported at \$548.7 million.

During the same period, Erath County amassed \$573.5 million in gross sales. This figure marks a 12.7 percent increase over the same period in 2005 and a 26.4 percent gain over the 2004 sales total.

Despite struggles over the past few years, Comanche County declared cumulative sales of \$150.8 million, a figure representing a 10.3 percent gain above the previous year's number. Hamilton and Bosque Counties followed suit by reporting growth of 8.1 percent and 7.3 percent when compared to January-September 2005 sales. Hamilton County expanded its gross sales by 17.7 percent compared to the same period in 2004, and Bosque County is up 21.9 percent since 2004.

The State Comptroller's Office provided the information on gross sales for the five Cross Timbers counties. This data is released approximately six months following the end of the reporting period.

Jennifer Williams is a senior majoring in economics at Tarleton State University

Populations on the Rise in the Cross Timbers Region

By Alex Vaughn

The five counties that encompass the Cross Timbers section of Texas include Erath, Bosque, Comanche, Hamilton, and Eastland. The United States Census Bureau publishes population estimates for this area annually. Each of these counties has exhibited healthy growth from 1996 to 2006, but the data show a decreasing population trend for Hamilton and Eastland counties when viewed over a twenty-year span.

Erath County has experienced the most rapid growth in the Cross Timbers area. In the past 10 years population has increased 11.2 percent, which raised the total population to 34,289. That figure represents a staggering 33.9 percent growth since 1986.

Bosque County has also shown a large increase in population with an 8.3 percent advance from 1996 and a 21.2 percent growth from 1986. This expansion elevates their total population to 18,058, according to the most recent estimate.

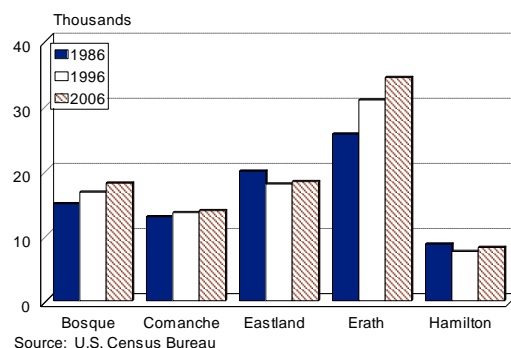
Comanche County has a population of 13,837. This value represents a 2.3 percent gain from 1996 and a growth of 7.3 percent since 1986. Even though the in-

crease in population has been relatively low, it has remained relatively constant.

Hamilton County's population movement, on the other hand, has been more volatile. The county has experienced a loss of 5.9 percent over the past twenty years but seems to be rebounding with an 8.1 percent

POPULATION

Cross Timbers Counties



gain since 1996. These movements brought the area's total population to 8,186 during the most recent reporting period.

Eastland County has experienced the lowest population gain in the Cross Timbers area. Over the past twenty years population has decreased 8.1 percent.

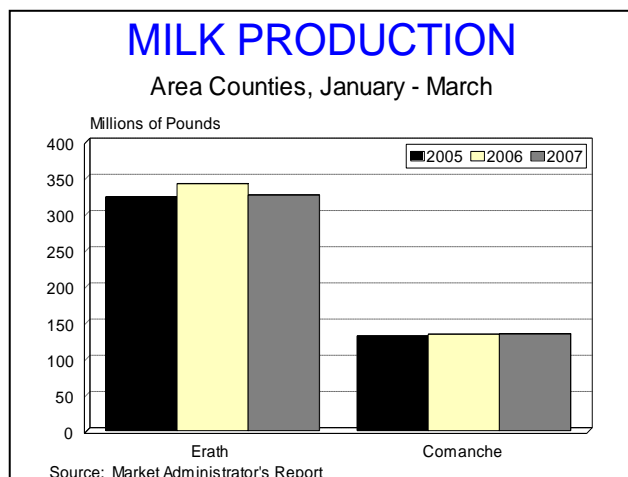
Their population now totals 18,293, despite a 2.0 percent rebound since 1996.

Alex Vaughn is a senior interdisciplinary business major at Tarleton State University

Milk Markets Continue Dynamic Trends

By James A Reed

Two Cross Timbers counties maintained their positions as major players in the state's wholesale milk market through the first three months of 2007, turning out almost 25 percent of all milk produced in the state. However, Texas' production pattern continues to show fundamental shifts as more farmers move into northwestern areas of the state.



Erath County's 96 dairy farmers produced 325.3 million pounds of milk during the first quarter of this year. This value represents a loss of 4.6 percent from the year before but a gain of 0.7 percent when compared to the value for 2005. Erath maintained its position as

as' top milk producer and accounted for 17.6 percent of the total state output over this span.

In Comanche County, 29 producers turned out 133.5 million pounds of milk between January and March of this year. This value represents a gain of 0.3 percent when compared to the 2006 total and an advance of 3.2 percent over the value posted in 2005. These farmers produced 7.2 percent of the state's total output between January and March.

Perhaps the most significant dynamic in the state's milk market has been the movement of farms to the south plains and panhandle regions. In January of this year, seven of the state's ten top counties were located in these areas. Five years ago, only one came from this locale. Dairy farms in this area also tend to be much larger than producers in the Cross Timbers region. Deaf Smith and Castro Counties, for example, combined to produce almost twice as much output from 21 farms as Comanche County did with 29. The question of whether this evolution will continue remains open at the present time. Although some west Texas counties are registering triple-digit gains, others are showing weak advances, and still other are reporting declines.

Milk production data for the southwest marketing area are collected and published on monthly basis by the Market Administrator's office in Carrollton, Texas.

James Reed is a senior majoring in interdisciplinary business at Tarleton State University